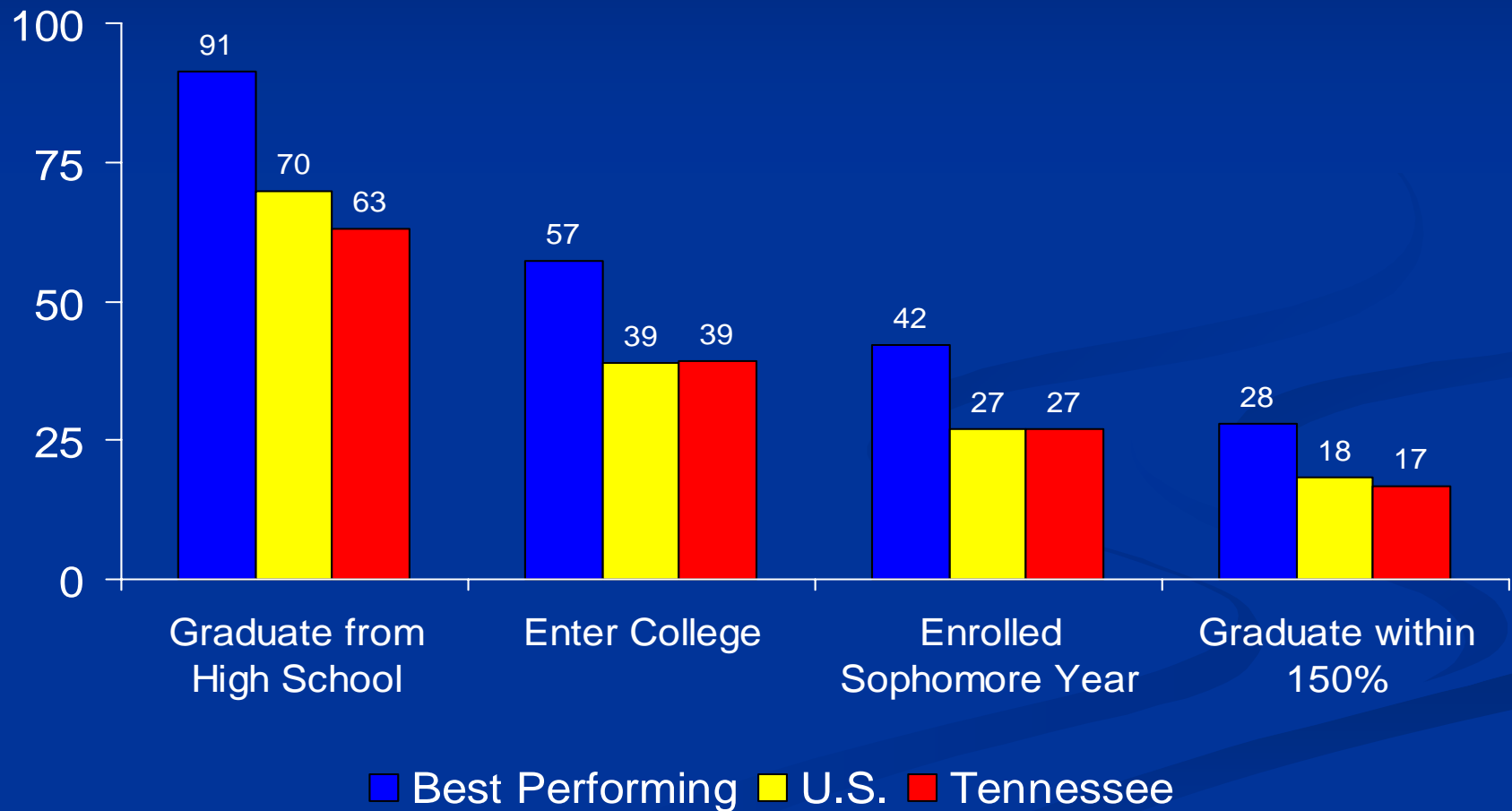


Addressing Adequacy, Equity and Accountability in the BEP

Senate Education Committee

April 25, 2007

The Student Pipeline - Tennessee, 2004



Objectives of the EIA/BEP

- Fulfill the constitutional mandate that in recognizing the inherent value of education and encouraging its support the General Assembly “shall provide for the maintenance, support and eligibility standards of a system of free public schools.” (Tenn. Const. art. XI, § 12)
- “to provide, when fully funded, the programs and services essential to a basic education...through organizational structure, disciplined management and adequate funding.” (Small Schools II)
- “The BEP is designed to accomplish two significant objectives – provide an excellent education program for all K thru 12 students throughout the state and provide substantially equal educational opportunities for those students.” (Small Schools II)
- The BEP is the “funding formula for the calculation of K – 12 education funding necessary for our schools to succeed.” (TCA 49-3-302(3))

Objectives of the EIA/BEP, cont.

- “If a county has a relatively low total assessed value of property and very little business activity, that county has, in effect, a stone wall beyond which it cannot go in attempting to fund its educational system regardless of its needs. In those cases, local control is truly a ‘cruel illusion’ for those officials and citizens who are concerned about the education of the county’s school children.” [Small Schools I, 1993]

The BEP:

What are the Issues Today?

- Adequacy
 - Are we providing the right resources to achieve the necessary student outcomes?
- Structure
 - Does the BEP provide those resources in an equitable and efficient way?
- Accountability
 - How can we know that current and new investment is resulting and will result in progress?

Important Considerations:

- Addressing adequacy without addressing structural issues may make structural fixes more difficult, and more expensive, in the future
- Continuing structural deficiencies will further erode support for the BEP
- Lack of broad support and potential added expense make improvements more difficult
- Lack of confidence in accountability measures also deters new investment

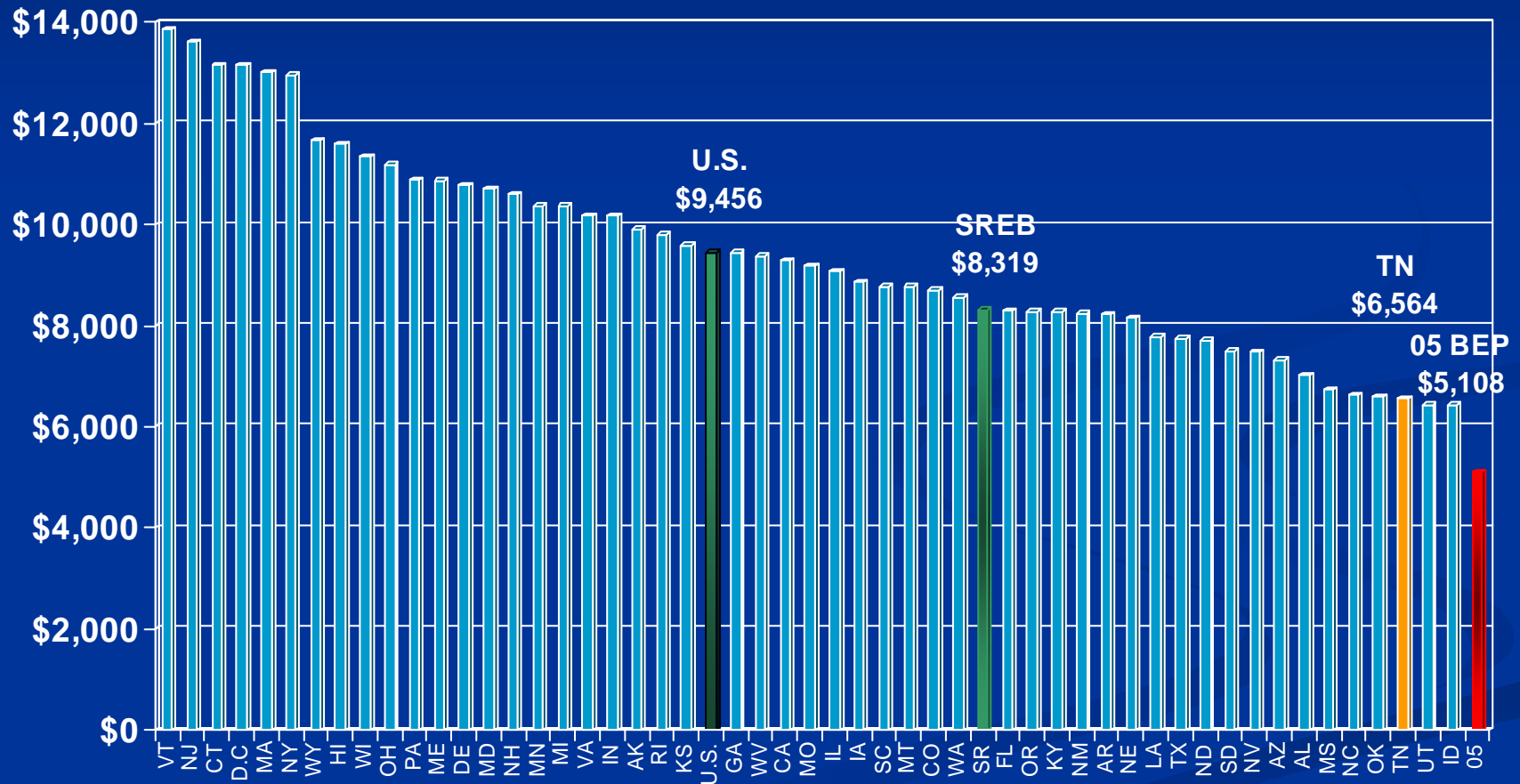
Adequacy Issues

- The BEP formula is input driven rather than outcome focused
- It understates, or doesn't recognize costs, like at-risk kids, English language learners, professional development and classroom materials, etc.
- Resource allocation to upper grades is insufficient
- Doesn't effectively address recruiting and retaining highly effective teachers

Adequacy Issues: Possible Improvements for Consideration

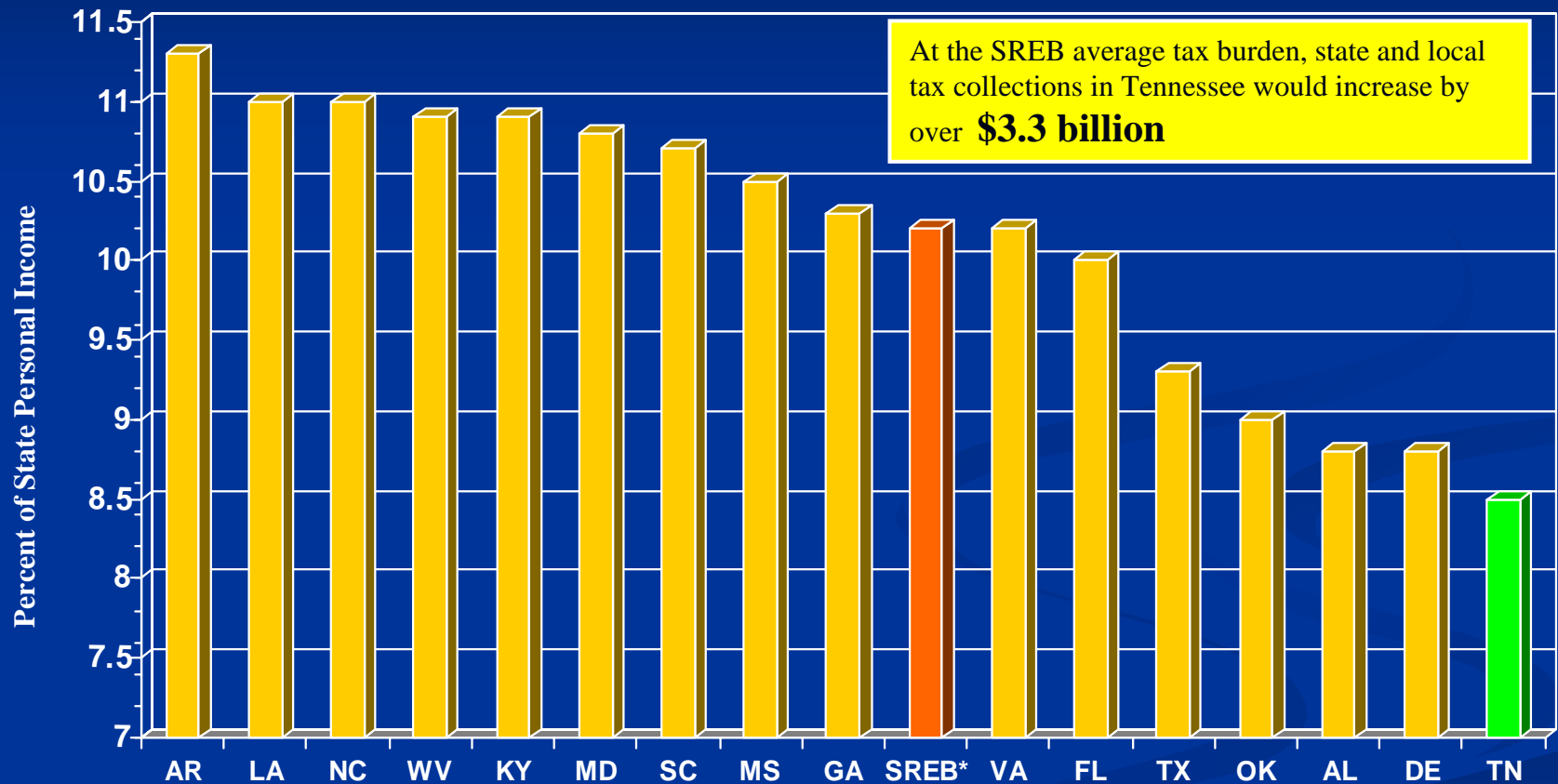
1. BEP Review Committee Recommendations
 1. Recognize 100% of K-12 at-risk eligible.
 2. Reduce ESL Ratios from 1/45 Instructors and 1/450 translators to 1/20 and 1/200.
 3. Enhance professional development
 4. Fully fund growth
2. Fund salaries at competitive levels in exchange for real improvements
 1. As condition for new salary dollars, every system must adopt a pay for performance system that meets minimum parameters set by the SBOE/DOE
 2. A modification of the single salary schedule should accommodate hard to staff schools and hard to find expertise

State and Local Revenues Per Pupil (ADA) – Fiscal Year 2005



SOURCE: NEA Rankings & Estimates 2005, Summary Table I and D
FY05 BEP – Jan Revised, ADA data from Table 7B – Annual Statistical Report

State and Local Tax Burden as Share of Personal Income in the SREB States, 2007



*Average of SREB states excluding Tennessee. The SREB average including Tennessee is 10.1%

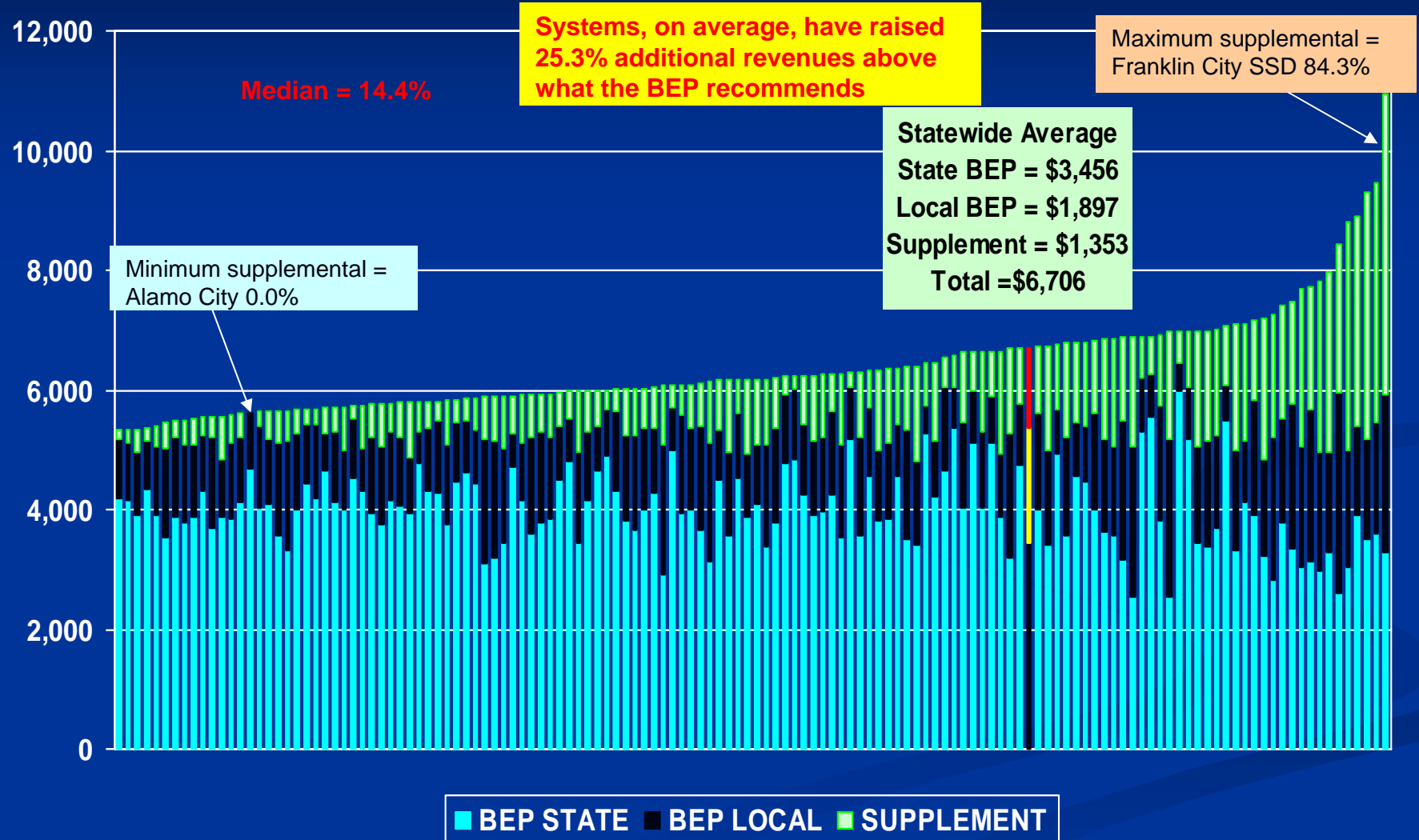
Structural Issues

- Relies too heavily on local funding
- Complex capacity component
- CDF contributes to complexity and skepticism
- Ineffective on-going review of the formula;
change difficult when needed

Structural Issues: Possible Improvements for Consideration

- Fund instructional salaries at 75% or higher
- Base fiscal capacity on statewide tax base
- Eliminate CDF (or transition to more relevant measure).
- System Level Capacity
- Simplify process for changing the BEP

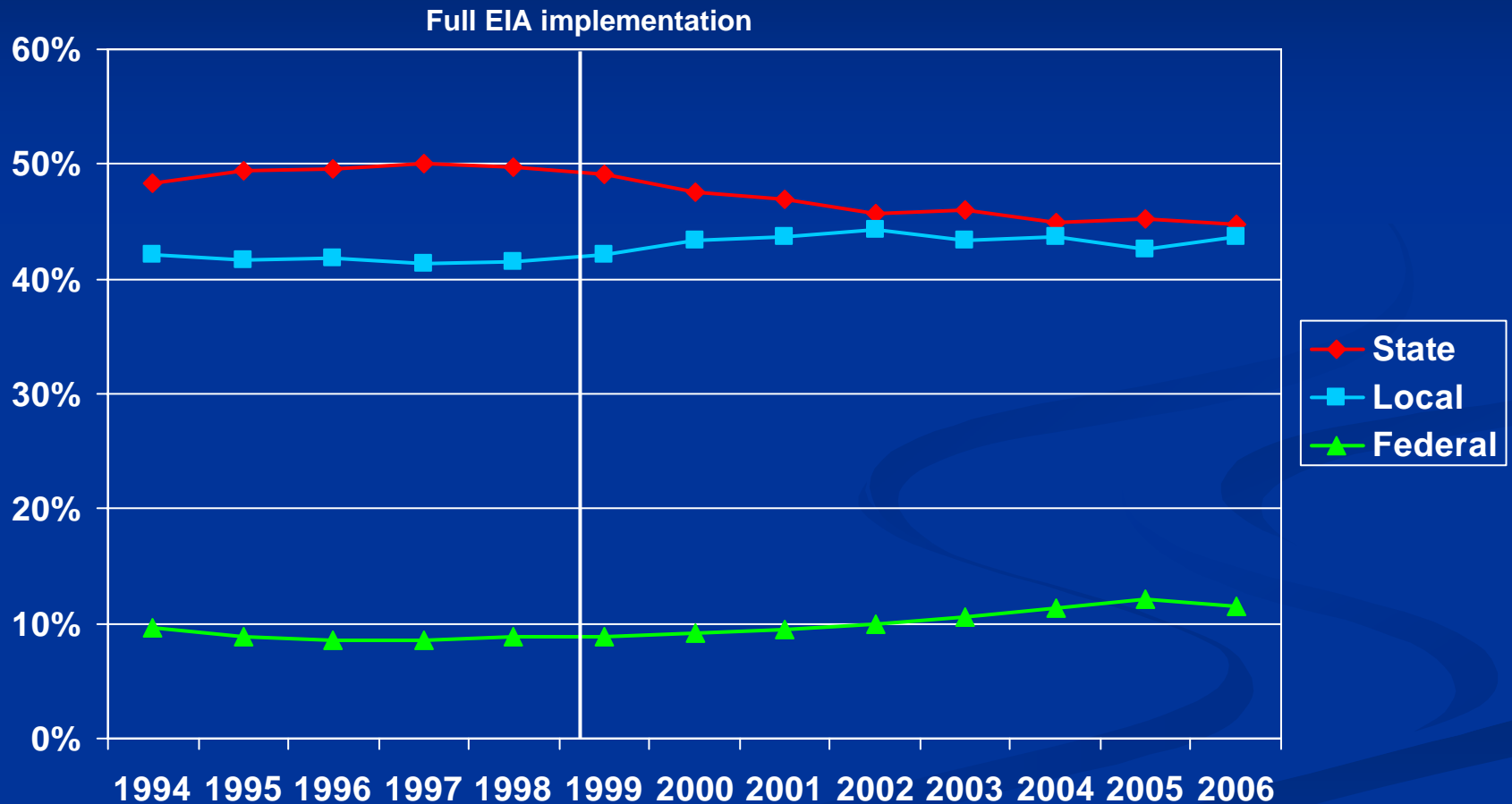
Per Pupil (ADA) State & Local Revenues by System – Fiscal Year 2005



SOURCE: FY2005 Annual Statistical Report, Tables 19 and 7B – Department of Education
 BEP comparison from FY05 BEP – July Final

Percent of School Revenues by Governmental Unit

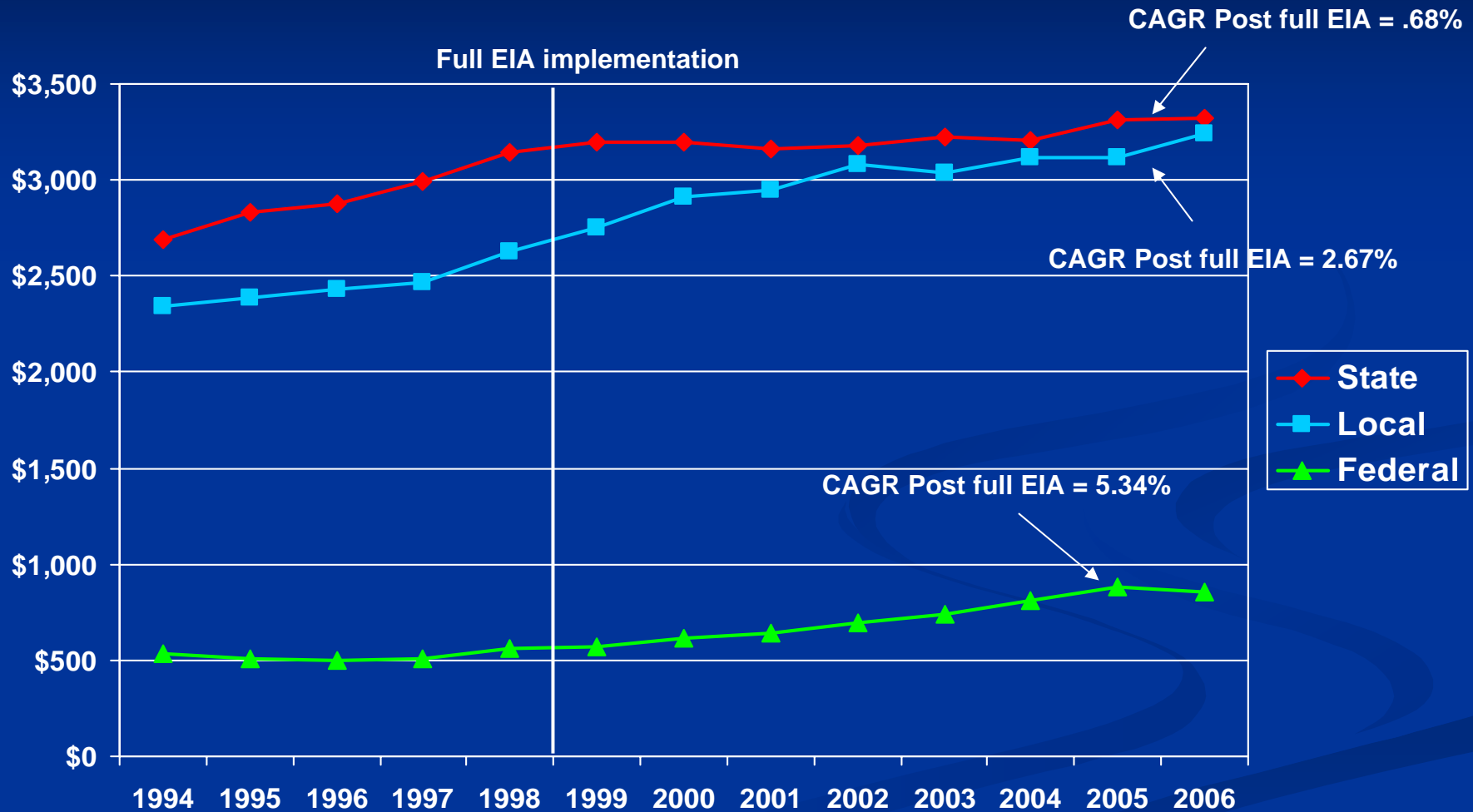
FY1994 to FY2006



SOURCE: Annual Statistical Reports, FY1994 through FY2006, Table 19, Department of Education

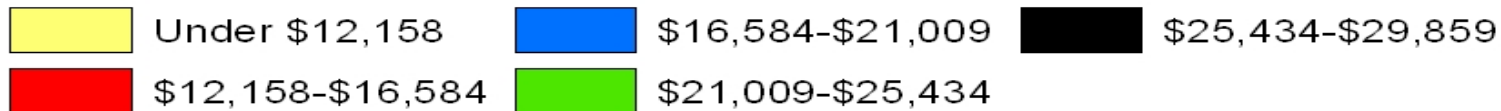
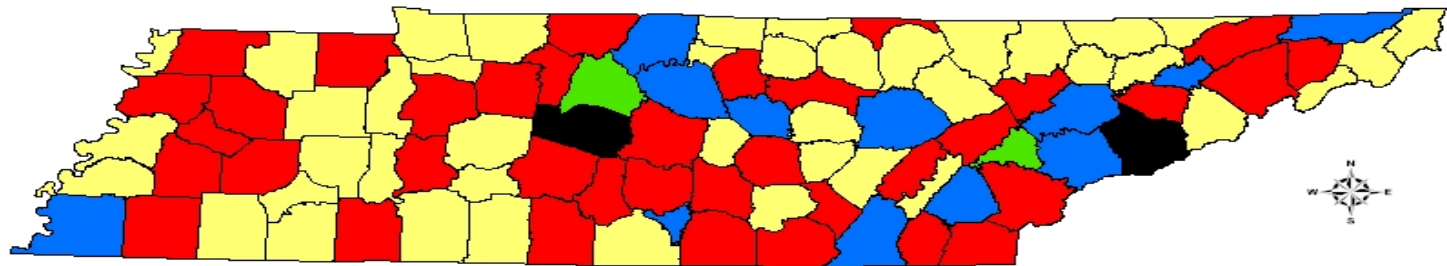
Per Pupil Dollar Contribution by Governmental Unit

Adjusted for inflation to 2006 dollars



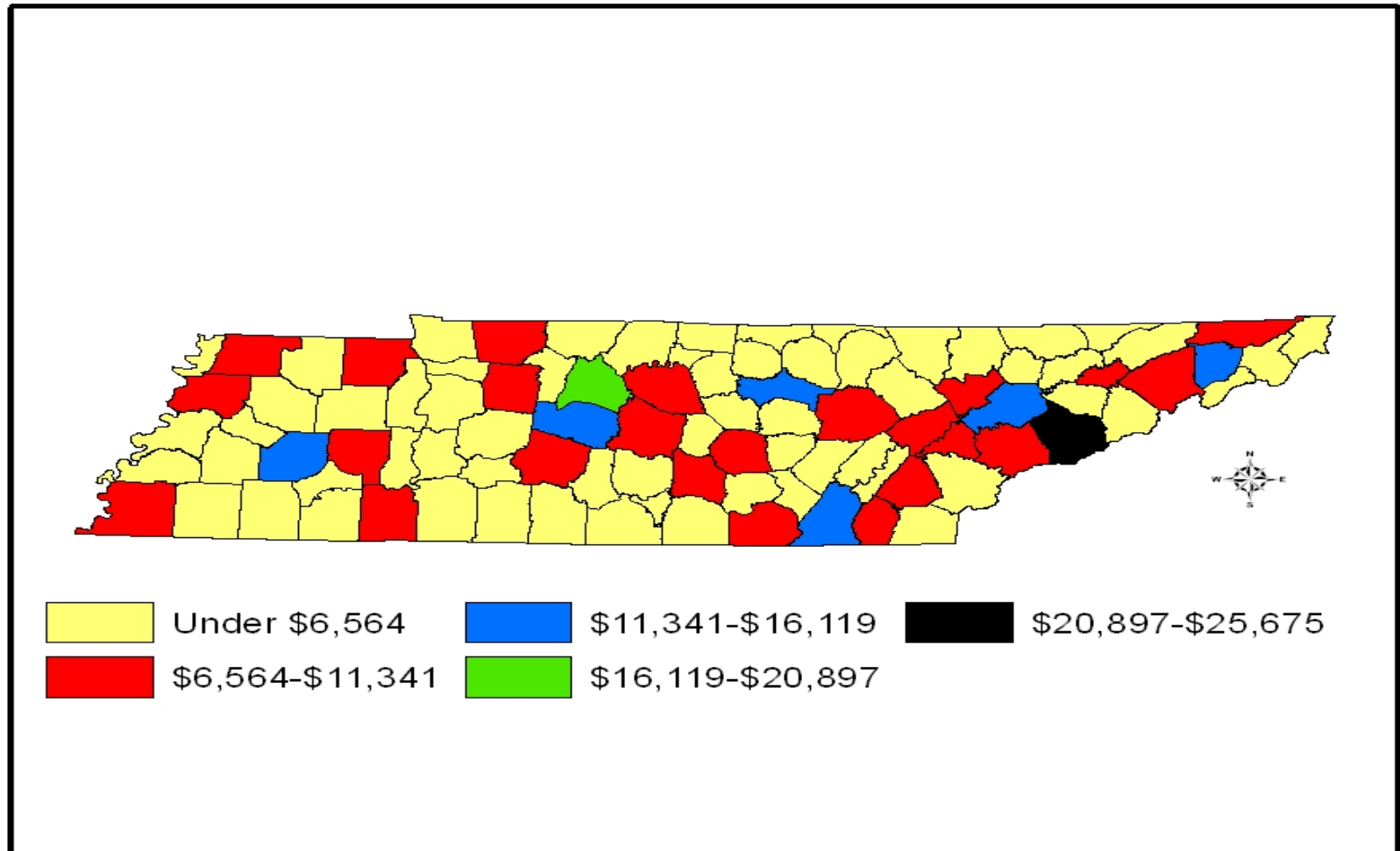
SOURCE: Annual Statistical Reports, FY1994 through FY2006, Table 19, Department of Education
Table 7A, ADM Counts, Department of Education
Inflation calculated using Bureau of Labor Statistics, Inflation Calculator

Average Per Capita Assessed Property Values – 2001-2004



SOURCE: TACIR collected assessed property data by county, 2001-2004
Census Bureau Population estimates 2001-2004

Average Per Capita Sales – 2001-2004



SOURCE: TACIR collected sales data by county, 2001-2004
Census Bureau Population estimates 2001-2004

100 New K-3 Students appear in Anderson County Schools

System Name	Over (Under) BEP Funding
Anderson County	\$357,000
Clinton City	\$10,000
Oak Ridge City	\$44,000
Chester County	(\$1,000)
Metro Davidson	(\$19,000)
McNairy County	(\$1,000)
Shelby County	(\$8,000)
Memphis City	(\$21,000)
Williamson County	(\$6,000)
Franklin SSD	(\$1,000)

Cumberland County's New Mall

(increase Cumberland's sales per pupil by 2.5%)

System Name	Over (Under) BEP Funding
Cumberland County	(\$108,000)
Bedford County	(\$3,000)
Blount County	\$5,000
Maryville City	\$3,000
Metro Davidson	\$86,000
Franklin County	\$5,000
Shelby County	(\$50,000)
Memphis City	(\$127,000)
Rutherford County	(\$2,000)
Murfreesboro City	(\$1,000)
Sevier County	\$62,000

What is the CDF and how does it work?

- CDF = Cost Differential Factor
 - Based upon compensation differences from county to county in comparable job classifications.
- Created to measure differences in the cost of recruiting and retaining teachers in higher cost areas.
- Counties exceeding 95% of the state average income in comparable job classes receive a salary inflation factor for positions in the BEP.

CDF Recipients

- FY98 (full funding of BEP)
 - Anderson County, Clinton City, Oak Ridge, Davidson County, Hamilton County, Chattanooga City, Humphreys County, Knox County, Maury County, Moore County, Roane County, Harriman City, Rutherford County, Murfreesboro City, Shelby County, Memphis City, Sullivan County, Bristol, Kingsport, Williamson County, Franklin SSD
 - Total Value = \$119 million
- FY07 (most recent BEP)
 - Anderson County, Clinton City, Oak Ridge, Blount County, Alcoa, Maryville, Davidson County, Knox County, Maury County, Shelby County, Memphis, Sullivan County, Bristol, Kingsport, Van Buren County, Williamson County, Franklin SSD, Wilson County, Lebanon SSD
 - Total Value = \$168 million

Alternatives to the CDF

- Composite, Tennessee specific consumer price index based upon selected market basket of goods that schools purchase.
- Municipal overburden index.
- Economy/diseconomy of scale?

System Level Capacity

- Problem: City school districts have insurmountable advantages over county systems
 - Manifested by additional revenues available for schools
 - Ability to tax the commercial and industrial base again
 - Counties can never catch up
- Solution: Who knows?

Methods for Accountability

- According to the SREB, 5 Essential Areas for Effective Accountability:
 1. Content and student achievement standards
 2. Testing
 3. Professional development
 4. Accountability reporting
 5. Rewards, sanctions, and targeted assistance
- Experience has shown that student achievement improves most in states that align all 5 areas.

Methods for TN Accountability

- Take advantage of school and district improvement plans.
 - Add page for outline of spending additional dollars.
- Enhance state report cards.
 - More intricate detail on expenditures.
 - Specific programs implemented from state funding improvements.
- Outline of specific research based methods for local decision regarding implementation.
- Modify the Annual Financial Reports to correspond more closely with BEP categories.

Research Tested Strategies

- Promote high quality teachers
 - Encourage teachers to become subject experts in the subject they teach.
 - Improve professional development.
- Improve teacher retention through induction and mentoring programs.
- Create additional math and reading specialist positions.
- Increase rigor of middle schools.
- Provide adequate classroom resources.

Research Tested Strategies (2)

- Reduce class sizes.
- Additional tutoring and other interventions.
- Early care and education
- Bolster student family support structure:
 - Encourage parental involvement
 - Enhanced social and health services
 - Create student mentoring programs

Improve Graduation without Sacrificing Standards

- Develop a statewide dropout prevention plan:
 - Create guidelines for assisting failing students
 - Adequate remediation early and as needed
 - Target 9th grade in smaller communities and interventions
- Allow for multiple opportunities to meet standards.
- Use technology to make re-testing more flexible.

Part II: Measuring College Readiness

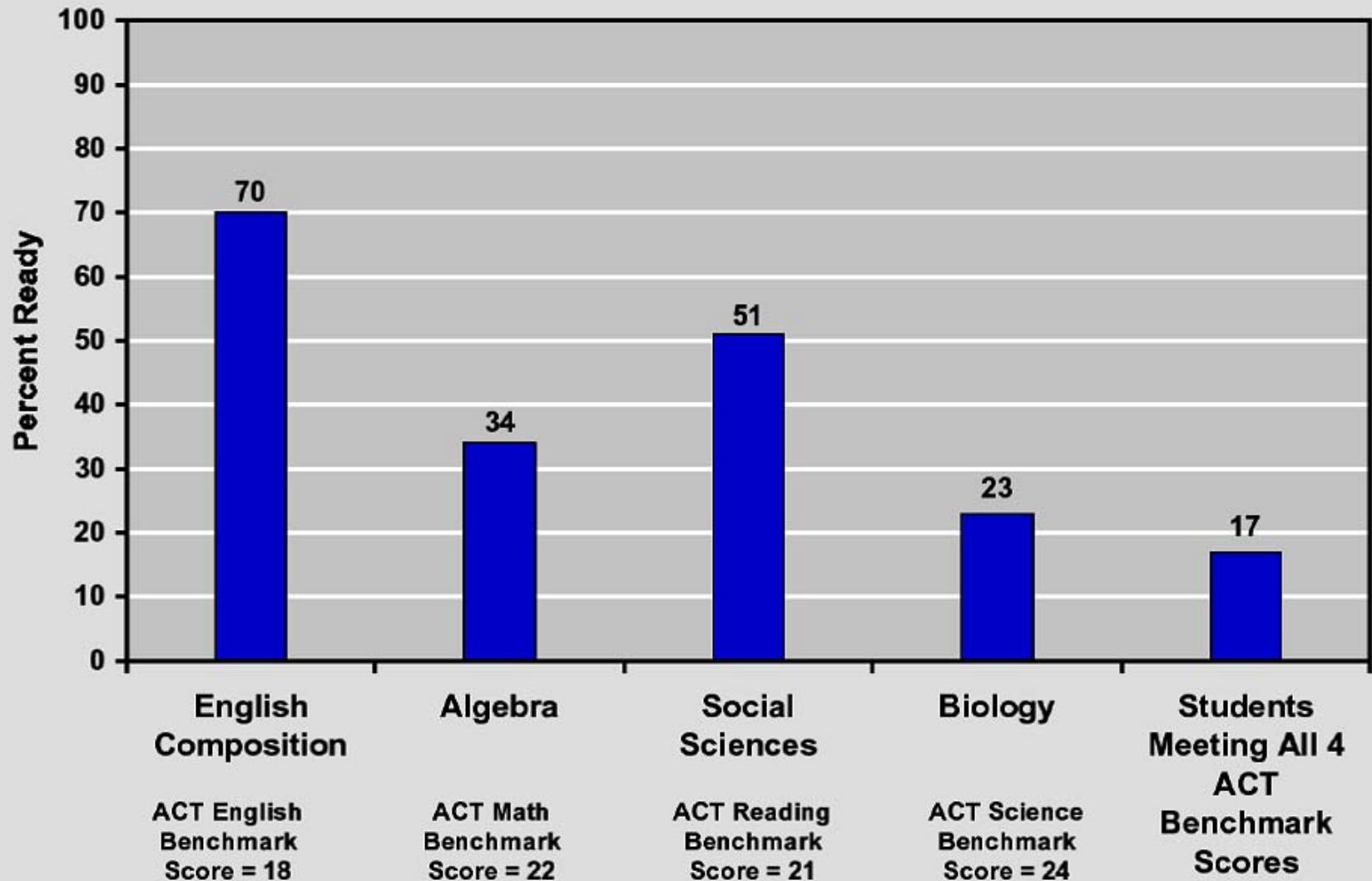
■ ACT College Readiness Benchmark Scores

■ Through collaborative research with postsecondary institutions nationwide, ACT has established the following College Readiness Benchmark Scores:

ACT Subject Area Test	College Course(s)	College Readiness Benchmark Score
English	English Composition	18
Math	Algebra	22
Reading	Social Sciences	21
Science	Biology	24

■ A benchmark score is the minimum score needed on an ACT subject area test to indicate a 50% chance of obtaining a B or higher or about a 75% chance of obtaining a C or higher in the corresponding credit-bearing college courses.

2006 Tennessee ACT-Tested Graduates Likely to Be Ready for College-Level Work (in percent)



The Student Pipeline - Tennessee, 2004

